

Internal Audit reports identifying 'significant' risk or 'of concern': Isambard School

Audit Committee

Date: 16th June 2015

Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.
- 1.2 Members requested that at least one individual audit report be presented to each meeting of the Committee. An Internal Audit report on Isambard School, that identified significant risk, was presented to the Committee in November 2014. Members requested that a follow-up review be carried out by Internal Audit the results of which would be reported back to Audit Committee.

2. Recommendations

- 2.1 It is recommended that the contents of the report be noted.

3. Detail

Background

- 3.1 Isambard Community School is one of two secondary schools serving the Northern Sector of Swindon. With approximately 1,140 pupils on roll, it is a PFI school using a shared site with three other schools, two of which are special schools.
 - 3.2 Internal Audit carried out an audit of the school in 2014/15. At the time of the audit the school was facing a number of significant changes which will have an influence on how the School operates going forward. These include a change of Head Teacher and Business Manager, falling pupil numbers, falling academic standards, a predicted budget deficit in 2016/17 of £750,000 and the desire to convert to an academy.
 - 3.3 The audit review found that there were fundamental weaknesses in the School's financial procedures which resulted in a significant level of risk.
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Key Findings – Initial Report

3.4 The key findings from the report are as follows:

- The audit review found that the School’s three-year financial plan, used for Financial Planning, Budgetary Control and Budget Setting, was not based on robust information and had resulted in inaccurate budgets being set. Significantly, budgets were not supported by an up-to-date staffing review or School Development and IT Development Plans. As a result Internal Audit have been unable to confirm that effective financial management is in place to enable the School to optimise their use of resources to provide high-quality teaching and learning, and so raise standards and attainment for its pupils.
- A review of the Finance / Asset Management Committee minutes identified that Governors undertook Budget Monitoring only three times during the last financial year, with the first indications that a significant surplus was being generated being reported only one month before year end. Minutes show that the then Business Manager informed the Governors that the School had permission from the Local Authority to exceed the normal rollover limits allowed for maintained schools, when such authorisation had not been given. There was no evidence of challenge from Governors on how the rollover had arisen or on any discussion and agreement on exactly what it would be used for in later years.
- It was not been possible to confirm that the Governing Body is fulfilling its statutory responsibilities. A review of the governance arrangements conducted by the Council’s Governors Support section in March 2014 raised a number of the issues found in this audit. However, action has not been taken to implement recommendations made to improve governance arrangements.
- Examination of the School’s governance procedures identified that the School’s Financial Value Statement had been prepared by the previous Business Manager and issued to all Governors for comment/challenge prior to sign off by the Chair of Governors. The self-assessment did not correlate with the findings from this Internal Audit review, in some cases there were significant differences.
- Meeting minutes show there was a general lack of challenge and discussion on financial matters by Governors and critically, some key financial decisions were not recorded in the minutes of Governors meetings, including the approval of the budget at the Full Governing Body meeting. Decisions were also made via email outside of the meeting cycle but not subsequently recorded in any minutes.
- In summary, the Internal Audit review identified a number of fundamental control weaknesses that jeopardise financial stability and performance at the

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School. The School and Governing Body needed to urgently address the issues raised in the action plan at the end of this report. Working in conjunction with Governor Support and the Local Authority, the School's Financial Planning, Budget Management and Governance procedures must be improved significantly to ensure resources can be managed effectively in driving school improvement and financial stability going forward.

- 3.5 The initial Internal Audit report (issued on 15th September 2014) was presented to Audit Committee at the November meeting of the Committee. The Head Teacher and the current Business Manager, Isambard School, along with the Council's Head of Commissioning: Economy /Attainment attended Audit Committee to answer questions from Members.
- 3.6 It was agreed that Internal Audit would carry out a follow-up review to establish progress in implementing agreed recommendations.

Follow-up Review

- 3.7 The follow-up review was carried out during May 2015.
- 3.8 The Auditor completing the follow-up review concluded that the School has made significant improvements since the previous audit. Of twelve high priority recommendations made in the previous report, six have been implemented and six are in progress and only two out of twenty recommendations remain outstanding.
- 3.9 The overall opinion has therefore improved, but there are a number of significant recommendations that still need to be fully implemented. As a result, an audit opinion of 'Significant improvements required' has been given based on the areas reviewed. The combination of the high materiality and impact of the systems, along with the opinion on the system controls gives an overall risk assessment to the Council as being of concern.
- 3.10 The Internal Audit report is attached as Appendix 1.

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

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Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of internal control within the Council will help to ensure that the Council's corporate objectives and those set out in One Swindon are achieved.

Diversity Impact Assessment

- 5.5 Not Applicable

Risk Management

- 5.6 Not applicable

6. Consultees

- 6.1 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Internal Audit (follow up) report: *Isambard School* (June 2015)